

TOBACCO MANUFACTURE

IN THE UNITED STATES.

A REPORT

ADOPTED IN CONVENTION OF THE TRADE,

Held at Cooper Institute.

NEW YORK, DECEMBER 7TH AND 8TH, 1864.

BY EDWARD BURKE.

Yon & S Morrell

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REPORT.

THE experience of the past two years has conclusively demonstrated the impracticability of taxing manufactured tobacco in any of its forms. The large number of long established and wealthy firms engaged in the manufacture of tobacco, snuff, and cigars which have been driven into other vocations or into retirement, and the multitude of operatives of all ages and conditions thrown out of employment since the 1st of July, in consequence of the oppressiveness and inequalities of the present system of taxation, are irrefragable proof of the truth of this assertion. In one branch, that of cigar-making, in the City of New York alone, there are at this moment three thousand journeymen, and a corresponding number of packers and strippers out of work, and rendered almost homeless through the operation of the act, which went into effect on the 1st of July, and which act was the inevitable sequence of a tax upon the manufactured article.

Six months before its passage some of the provisions of the act of June 30th, as they related to the manufacture of tobacco, snuff, and cigars were known to those engaged in these branches, and every manufacturer and dealer that could do so endeavored to forestall, to some extent, their evil effects. This prudence, operated to the serious detriment of employes, and in some instances came near proving disastrous to employers as well; there being one provision which was not divulged until after the 1st of July, and which called for the taxing at the new rates of all cigars in manufacturers' hands on that date, upon which the preceding duty had not been paid.

Under the inspiration of the unusual demand for labor, which the necessities of employers in their desire to secure themselves against the losses which they foresaw the stagnation which would succeed the 1st of July would entail upon them superinduced, operatives, especially those engaged in making cigars, pushed their demands for increased wages to the extreme verge of endurance, and therein they did perfectly right, for it was their duty to get all they could for their services, but at the same time their action was productive of great injury to their employers. For it not unfrequently happened that large orders taken when wages were low, would leave on delivery a very small margin for

profit; the advances made to workmen during the completing of such orders absorbing all, and sometimes more than all, the difference between the actual cost and the selling price of the goods.

It was the misfortune of many to find themselves the possessors of respectable deficits at the close of June, 1864, from this cause. Not uncomplainingly, of course, but yet with becoming fortitude the employers stood up against these repeated assaults upon the citadel of their hopes—their percentages; saying, well, no matter, if we do lose something now, after the 1st of July the new tax will make cigars so much higher, if we have a large stock of them on hand we will be able to recover all we may have lost before. And so they kept at work, yielding to their journeymen, and piling up their stock. Six months had passed in this manner; the 1st of July dawned upon us, and all was changed; our dream had flown; we had been caught napping; the broad light of day streamed in upon our benighted eyes, and showed us the *coup d'etat*.

The law required that all cigars upon which the tax had not been paid on the 1st of July, should be assessed at the new rates; that is, instead of \$2.50 and \$3.50 per thousand, as we expected, we must pay \$8, \$15, \$25, and \$40 per thousand. Now, the question arises was this fair? Made necessary by the exigencies of the Government perhaps, but was it fair? It was a breach of the promise made to us in 1862. By the terms of the Revenue Act, which went into operation on the 1st of September of that year, the manufacturer of cigars was permitted to make and sell cigars at a rate of taxation not exceeding \$3.50 per thousand, until the act should be modified or repealed, or until further notice. Now this right to sell cigars involved the right to make the cigars which were to be sold; the two, though distinct in their investiture, were as one; they went hand-in-hand up to the last moment of the law's duration, and the right to make thus associated with the right to sell, carried with it the right to sell so long as there was any thing to be sold of the thing made. While, therefore, it is perfectly legitimate of Congress to declare that cigars made after a certain date shall pay a certain tax when sold or before, it does not appear to us that it is competent to prohibit the sale of that which was made by its encouragement, and which would not have been made but for this encouragement, and which when made, it declared might be sold without limit as to time if the vender complied with the condition of sale. By a parity of reasoning, then, it may be observed you might as well contend that Congress has no right to tax the watch in your pocket or the carriage in which you ride. Oh, no! the cases are not at all alike. Congress may tax any thing it pleases; the coat upon your back if it will, but a due regard should be had for the time of doing so. In

equity a promise made is as binding upon Congress as upon the humblest individual.

OPPOSITION.

We have said the experience of the past two years has conclusively demonstrated the impracticability of taxing manufactured tobacco. It needs no argument to convince the manufacturer of cigars, tobacco or snuff that the opportunity afforded by this system to dishonest persons for duplicity and evasion, works incalculable injury to all whose transactions are characterized by fair dealing, and who are desirous of aiding rather than of defrauding the Government. Nor is it necessary to show to them how much better the interests of all would be subserved by having the tax applied solely to the leaf. These facts are apparent to all who have given the subject a moment's consideration. But it is vitally important that the Government should be awakened to a realizing sense of the necessity of some immediate legislation thereupon which will secure it against serious loss, and afford relief to those who are suffering from its mistaken policy. To enlighten it as to the best course to be pursued to achieve these results is the aim and purpose of these pages.

It is the opinion of every person engaged in the manufacture of cigars, tobacco and snuff, and nine-tenths of all others in the United States, including Congressmen, and officials of all kinds, from the Commissioner of Internal Revenue down to the humblest Deputy Assistant Assessor, who have reflected upon the matter, that the only proper and just mode of taxing tobacco is to tax it in the leaf. And they are of this opinion for these among other reasons: First, because fraud and evasion can thereby be prevented; second, because it is far less expensive in collection; third, because collections can be made with greater facility and expedition, fourth, because the tax would then be borne equally by all; fifth, because double the amount of revenue can be obtained. These advantages being so generally admitted, it will naturally be asked why is this system not preferred to one which offers none of these inducements. To answer this question it will be necessary to adduce the arguments of its opponents.

"It will not do," says the tobacco grower, "to tax the products of the farm, because it would discourage agriculture; it would repress the cultivation of tobacco. Agriculture is a laborious and unprofitable vocation at best, and if you impose any governmental restrictions upon it you will extinguish it altogether." "It will not do," says the representative of the people, "to hamper the agriculturist; the products of the soil should go untrammelled to the market. I would never dare to go home to my constituents and tell them I had voted to prevent them from taking up a sprig of tobacco and twisting it into a quid, or granulating a leaf for their pipes." What inconsiderate, what untenable sophisms are these?

And yet it is by such reasoning as this that the Government is permitted to be robbed out of millions upon millions of dollars every year, and the interests of a class ten times more numerous, and representing a capital one hundred times greater than the tobacco growers, are sacrificed. With as much propriety the advocate of a tax on the leaf might claim that manufactures should not be repressed; that no impediment should be placed in the way of the free transit of the handiwork of the mechanic to the markets of the world. Why, he might inquire, should the farmer be exempted from burden in this hour of national peril any more than the manufacturer? or why should the one have the privilege of preparing tobacco for his own consumption, and the other be taxed for every morsel he uses, and subjected to severe penalties if he fail to pay the tax within a given time. But the question need not be discussed in this manner. There is a more effectual way of meeting it.

These men are under a misapprehension. It is not, and never has been intended that if the Government should finally adopt the plan of taxation here recommended that the producer should pay the whole or any part of the tax. So far as he is concerned there need not be the slightest change in the routine of his business. Every penny demanded by the Government is to be paid directly by the purchaser, as will be shown hereafter.

EVASIONS.

Besides those already mentioned, there are others in and out of Congress who sincerely believe the tax can be as certainly and as economically collected from the manufacturer, as from the raw material. But a more extended acquaintance with the practical operation of tax-gathering would speedily undeceive them. Treating upon this subject last season, the writer said: "Of the whole number of cigars manufactured in the United States, it may be presumed that not more than one-half are ever taxed at all. The regular manufacturers pay promptly, when called upon, for every thousand manufactured by them. But there are millions upon millions made in out of the way places, such as basements, garrets, etc., which the glance of an assessor's eye never falls upon, and of which, consequently, no return is ever made. This, besides being a gigantic fraud upon the Government, is terribly injurious to the trade; for these itinerant and covert bosses are able to undersell the regular or more conscientious dealer in the market." What was true of last season is true of to-day, unless we accept the declaration of those who have investigated the matter lately, and who say the proportion of unassessed cigars is even greater than is there stated. And, indeed, the evidence is strongly in favor of this assumption, for there are double the number of cigars offered at dealers' counters at prices which pre-

clude the possibility of the tax having been paid, to what there ever was before. And so it will continue so long as the present system is adhered to. All the laws and all the penalties that ever were or ever can be devised to the contrary notwithstanding. The present law requires the registry of cigar-makers, the number of the district in which they work, and a monthly return of all the cigars they make, and for whom made; and from manufacturers, a weekly report of all made for him, and by whom, and the stamping of all cigars before sale—and what of it? Suppose they don't comply, what is going to be done about it? apply the penalties? How are you going to discover the culprits, or when discovered, how prove the offence?

"I will call this evening, about the time you are closing your store," said a crippled and poorly dressed man, two weeks ago, to a dealer in leaf tobacco, "and take home my purchase;" which consisted of ten pounds of common tobacco. The dealer smiled, and inquired, "Are you going to run the blockade?" "I never thought I should come to this," replied the man, with tears in his eyes, "but what am I to do? I have a wife and seven children, the oldest only eleven years of age, and a cripple like myself, to support. I cannot let them starve, and yet I must do so or do as I am doing, for I can get no work in the shops." In large cities there are a great many situated like this man; and there are also a great many who run the blockade from motives of cupidity, who argue that it is no crime to cheat the Government; and who exultingly point to the opportunities afforded by the law for evasion, as evidence of the Government's anticipation that it would be and might be defrauded by all those having the wit and the courage to avail themselves of them. Stringent and guarded as the law is, it is wholly inadequate to reach these parties. There is one General Inspector in the city of New York, it would require an hundred to ferret out all the recusants. There are detectives, but of what avail are they? How are they going to bring the man to justice who, under cover of darkness, leaves his private dwelling with an hundred, a thousand, or five thousand cigars, in a basket, enveloped by a bed blanket, and hurries off to some friendly porter-house whose doors are ever open to the struggling blockade mariner, and there unships his cargo? What right has the inspector to stop a man in the street simply because he happens to be carrying a basket in his arms? Not any; and he does not do so, and hence such scenes are witnessed at all hours, when night obscures the gaze, and when the noon-tide sun is at its height. Or how can he trace the box containing from ten to twenty thousand cigars, marked "glass, and to be handled with care," coming from the far wilds of Pennsylvania, or the remote confines of Idaho, or elsewhere in the States, to the New York, Philadelphia, or Boston factor, to be stealthily unpacked and mingled with his own.

The inspector has the power to investigate ! Yes ; but he has also the sensibilities of a man ; and it is a very delicate thing to pry into the private affairs of a man who is supposed to be conducting his business in a legitimate manner. The inspector, detectives, and assessors are vigilant, energetic, and accomplish a great deal of good no doubt ; but they cannot be everywhere at once, the labor is too great, the field too extensive. Now, as under the old law, our chief dependence for honest returns is on the oath of the manufacturer, for the stamps amount to nothing but a nuisance ; and how much reliance can be placed in the affirmation of many is a proposition like some of Euclid's problems, not easy of demonstration. The incentive to swear falsely afforded by the high rates of taxation, and the facility with which they may be evaded, are powers too potent for the resistive force of those who have not attained a certain degree of moral development. And to many a man whose nature would revolt at the bare thought of an evil act, when he witnesses the depressing influence of these burdens and inequalities upon his business, and sees how easy it is to obtain a partial relief, the reflection has occurred, *what could I not do if I would ?* It is a great temptation, it is a perpetual temptation, and should be removed. Not alone to the honest and law-abiding manufacturer of cigars, are the grievances here briefly touched upon apparent and oppressive ; they extend to every department in the trade. The tobacco-cutter, the snuff-grinder, and the plug manufacturer, each in his degree is called upon to bear the burdens which these outrages inflict. But upon the cigar manufacturer alone devolves the lion's share, because his business more than any other admits of all the necessary conditions. The cutter must have his factory and his machinery be they ever so small, and the grinder must have his mill ; but the cigar-maker can work in a tub. Nor are these unfortunate circumstances the result of the law itself, or in consequence of any defect therein.

INEFFICIENCY OF THE LAW.

The law of 1864 in reference to evasions seems to have been framed with great care. Every device that ingenuity could conceive or wisdom suggest, to secure the Government and protect honest men from this curse, are embraced in its provisions. But the business of cigar making is of that peculiar nature that no kind of restrictive legislation, however skillfully designed, can cover all the avenues of illicit trade, and hence the law is, and all laws upon the subject must be, signal failures. It is a question if the history of all legislation upon matters of excise, and especially in sparsely settled countries like our own, does not prove the inutility of attempting to prevent frauds where a portion of the people are resolutely bent upon perpetrating them. The experience of England

offers some striking examples upon this point. To insure perfect security against wrong doing, the motive or the opportunity must be suppressed.

THE LAW.

It has been conceded that the law of 1864, so far as attempting to provide for the prevention of illegitimate commerce was concerned, was all that could be reasonably expected. But there commendation must cease. As a statutory measure for the protection and encouragement of tobacco manufacturing, it is an error from beginning to end, being vague in its phraseology, burdensome in its operation, and impracticable in its character.

EXCESSIVE RATES OF TAX.

It begins by imposing a rate of duties altogether beyond what the circumstances would warrant, and concludes by leaving it a matter of doubt in the mind of the honest taxpayer whether he can pay any tax at all or not.

Let us examine the first count. At a time when the price of the raw material had advanced from two to three hundred per cent., and that of labor from three to four hundred, manufacturers of cigars were required to add three hundred more for taxes: making in the aggregate an advance of nine hundred per cent. on the cost of their goods for the year 1864 over the year 1863. This was a precipitous ascent, to say the least, but yet, it was one that would have been cheerfully borne by those affected had other things been equal. For, to their credit, workers in tobacco as a class are as intensely loyal and as desirous of aiding the Government as any in the land. With the close of the year 1863 there were very few low-priced cigars made in the country, the tax of 1862, low as it was, and other combinations having rendered, a few months after its inception, their retail unprofitable, \$30 per thousand being the cheapest grade of their own make in the hands of regular manufacturers. The appreciation of labor and stock by March, 1864, was such that the same grade sold at from \$40 to \$60 per thousand wholesale, and could not well be sold for less than \$40. When, accordingly, on the 1st of July, \$25 and \$40 tax was added, it can readily be seen how deleteriously the trade must be affected. It carried this grade of cigars up to \$65 and \$85 per thousand. This also might have been borne but for two contingencies which were adverse. If there had been inferior grades of tobacco which manufacturers could have fallen back upon, or if all business were done at wholesale, it would have made no important difference whether the grade in question ruled at \$60 or \$100 per thousand. But, unfortunately, on the one hand, all leaf tobacco ruled at exorbitant rates, and there was no alternative for manufacturers.

They must either work the kind of which the grade spoken of were made or an inferior quality costing nearly or quite as much, or stop manufacturing; and, on the other hand, the majority of manufacturers were jobbers and retailers as well as wholesalers, and beyond all and over all the whole system depended upon retailers at last. Take from the business the retailer, and there would not be a cigar made of any kind. This fact is so apparent that it seems trifling to state it, but it is essential to the sequence. The man who sold at wholesale could get along for some time, it may be assumed, but mark the condition of the unfortunate retailer.

RETAILER.

Costing him, though himself the manufacturer, from \$60 to \$70 per thousand, to afford him a living profit, it was necessary for him to charge ten cents a piece for them. But there were two obstacles in the way of this, one of which was that the public, the great public, was not accustomed to such a price, and would not pay it; and the other, the cigars were not intrinsically worth the money, nor any thing like it; and no amount of Congressional action could make them intrinsically worth it. What was to be done? The retailer pondered over it for some time. At last he hit upon a plan, as he thought; he could make a penny by selling them for seven in the one case, and a halfpenny in the other by selling for eight, and so be able to keep his store open a few weeks longer. But then, there was another difficulty. The customer would give him ten cents worth of postal currency, and the retailer would be obliged to return him two and three pennies change, and it took one hundred and twenty cents in currency to buy one hundred cents in pennies. What was to be done? the retailer asked, and he has been asking the same question since the 1st of July.

VAGUENESS OF THE LAW.

Let us examine the second count. Commissioner Lewis, with that acumen which ever characterises him, has done it for us in these words:

"Sec. 94 of the Act of June 30th, 1864, in imposing a tax on cigars according to a graduated scale of values, provides that the valuation shall in all cases be the value of the cigars exclusive of the tax. A literal compliance with this provision is a sheer impossibility, inasmuch as it requires the elimination of two unknown quantities from a given total. When, for instance, cigars are sold at \$50 per thousand, if for the purpose of the exclusion we assume the tax to be \$15, the net value remains \$35, and the cigars fall into the class subject to a tax of \$25; while if the latter be assumed as the tax to be deducted, the valuation,

exclusive of the tax, is but \$25, and the cigars appear to be subject to a tax of but \$15."

We have spoken of the dilemma in which the retailer is placed, and have treated it humorously; but its gravity demanded a more serious consideration, for an entire department of trade is blocked and jeopardized thereby.

BURDENS.

The law is burdensome because it imposes obligations and expenses upon manufacturers which materially affect the profits and interfere with the proper conduct of their business, and which are in no wise productive of advantage to the Government. Compelling manufacturers of cigars to make a weekly return of every cigar, every pound of tobacco, every stem, every scrap, every cutting that goes in or out of his factory; and snuff and tobacco manufacturers, all of these, together with every pound of liquorice, tin-foil, bladder, etc., which go to make up the paraphernalia of their respective establishments, entails an amount of useless labor upon them which is perfectly appalling.

To say nothing of the expense of the additional book-keepers which this system necessitates, the anxiety each man is forced to endure lest some discrepancies in his accounts appear, which after the lapse of a little time it is difficult to explain, and which would bring him into unpleasant relations with the authorities is a sufficient reason for condemning the whole thing. Especially as no good can be derived from it. Because those reports are in the hands of the Government to suppose they will serve as a check upon rascals is simply absurd, for all such have wit enough to make all their accounts agree, though they should be obliged to report every day.

LIMITATION OF THE MANUFACTURERS' PROFITS.

But the direct and compulsory limitation of the cigar manufacturers' profits which the law enjoins is a feature in legislation, the novelty of which is exceeded only by its oppressiveness, and its consequent tendency to discourage all enterprise, all ambition. The following are the rates of tax which the law imposes: On cigarettes made wholly of tobacco, cheroots, or short sixes, valued in each case at not over \$5 per thousand, \$3 tax; cigars valued at over \$5, and not over \$15 per thousand, \$8 tax; valued at over \$15, and not over \$30 per thousand, \$15 tax; valued at over \$30, and not over \$45 per thousand, \$25 tax; valued at over \$45 per thousand, \$40 tax. It has just been shown by the extract from Commissioner Lewis' circular, how irreconcilable these figures were with any practicable mode of assessment. Observe, now,

the annoyance which is the unavoidable corollary of their arrangement. To reduce them to something like a practicable scale, Commissioner Lewis devised the subjoined schedule: Cigars selling at not over \$13 per thousand, \$3 tax; over \$13, and not over \$30 per thousand, \$8 tax; over \$30, and not over \$53 per thousand, \$15 tax; over \$53, and not over \$85 per thousand, \$25 tax; over \$85 per thousand, \$40 tax. This schedule, though it alters the form, does not materially affect the rates of the terms; and while being infinitely better for both the Government and the manufacturer to operate under, it shows with mathematical precision the limitation alluded to. Any of the ranges enumerated will illustrate the point, so, for example, we will take a couple at random, commencing with the range between \$30 and \$55 per thousand. A thousand cigars which cost the manufacturer to get up \$35, exclusive of the tax, if there were no tax, he would gladly sell, as a general thing, for \$40, realizing \$5 on the transaction; but with the tax included he is compelled to charge \$55 to realize that sum, the tax being \$15, and \$40 and \$15 making \$55. Now, suppose a thousand of the same grade cost to get up, exclusive of the tax, \$37, \$38, or \$39, as is frequently the case in consequence of the variable character of tobacco, one lot netting a thousand or five thousand cigars, where another lot of the same grade, and quantity, and costing just as much per pound, nets only five hundred or two thousand five hundred, and he still wants \$5 profit, and by the way, that is little enough; what shall he charge per thousand, \$57, \$58, or \$59? Oh, no! Why? because that would carry them into the \$25 range of taxation, which would add \$10 more to the tax and cause him to lose from \$7 to \$9 by the sale, the limit for the \$15 tax being \$55. What must he do then? simply this: put his cigars on the shelf and not sell. So too, of cigars, costing the manufacturer, exclusive of the tax, \$59 or \$60; he is obliged to sell them for \$1 profit or exactly at cost, or else charge over a hundred for them, which, again, is more than they are worth, because the tax on this grade is \$25, and \$60 and \$25 are \$85, and over \$85 the tax is \$40, and \$85 and \$15 are \$100. So that, whether he sell at \$85 or \$100 it makes not a particle of difference to the seller; if he sell at \$85 he makes \$1, or he makes nothing; and if he sell at \$100 he makes \$1, or he makes nothing, according as the article cost him \$59 or \$60 to get up. He may sell for \$30 and pay a tax of \$8 only, but if he sell for \$31 he must pay a tax of \$15, losing \$7 to gain \$1; and he may sell for \$55 and pay only \$15 tax, but if he sell for \$56 he must pay \$25, and so on to the end of the chapter.

This seems to be limiting a man's profits with a vengeance. Is it any wonder after this exposé that the business of cigar-making is stagnant throughout the country, or that there are three thousand journeymen cigar-makers out of employment in the City of New York? It is folly

to contend that as the tax adds so much to the cost of the cigars, that so much is added to their intrinsic worth.

Cigars, like every other commodity, are worth just what they will bring in the market, and no more. No more than calling potatoes diamonds makes diamonds of that ugly, though wholesome vegetable, does declaring a given article the representative of a given sum of money transform it into the representative of such a sum. A man's desire or indifference to possess is the standard, and the only one of value.

If men did not esteem pearls more highly than they do coals, they would not be worth more than coals.

DISTINCTION BETWEEN MANUFACTURER AND DEALER.

Grave and serious as are the objections noticed, the most oppressive of all—the one which tends to prostrate every energy of the business man, and works the most harassing and indescribable confusion in the trade—is the invidious distinction made by the law between the manufacturer of and the dealer in cigars. To the mere dealer the largest liberty of action is accorded; a *carte blanche* is given to him to do whatever he pleases; not a restraint, restriction, responsibility, or obligation is imposed upon him; while the cigar manufacturer is saddled with every annoyance, every inconvenience, every disadvantage, every disability, every obstacle, every impediment, every burden, and every check which expediency could design or necessity could exact. Perhaps this was unavoidable; then let the conditions be changed; why perpetuate a system so odious in its effects.

Cigars that a manufacturer would sell at his manufactory, or his store, at wholesale, to a dealer, to be retailed out by him at a certain price, if he retails them himself he is obliged to pay from fifty to one hundred per cent. more tax than would meet the requirements of the law for the same article sold at wholesale to a dealer to retail.

For example; on a thousand cigars, which he sells in his store to a single purchaser for \$30 per thousand, he pays \$8 tax; but if he retails them out for \$100, that is at the rate of ten cents apiece, he must pay \$40 tax. Very well, is not that right? If he gets so much more for them in that way, can he not afford to pay that much more tax? Yes! Where, then, is the hardship? Listen: Let that manufacturer step out of his own store, and let a dealer step in and take his place, and after paying the manufacturer \$30 for that thousand cigars, he may retail them out for \$500, at the rate of 50 cents apiece, or for any price he pleases, and never be called upon for one penny additional tax. Is this right? So too with the man who is a manufacturer and dealer combined, of the first class—one who sells altogether by the box, or by the thousand; he

can afford to sell 5,000 or 10,000 cheaper than he can 100 or 1,000; but the principal part of his business being done in the latter quantities, he is brought into a ruinous competition with both the dealer pure and simple, and the wholesale manufacturer; because his expenses are greater than either, and the latter pays a much lighter tax by selling large quantities at lower rates than the manufacturing dealer can afford to sell for, selling chiefly in small quantities; while the latter pays no tax at all. What an anomaly is here presented? The hunger of the law is sated in the one case, with a low tax and no tax, and in the other its voracity can be appeased only by swallowing everything within its reach. Legislators! in the name of all that is good and righteous, we ask you why should a worthy class of men be crushed by such legislation as this? What offence has the upright manufacturer committed that he should be placed under such a ban? What encouragement, what inducement has he to continue business with such a disqualification upon him; such an impediment before him; such a gulf of ruin around him? Nor does the disability stop here.

STAMPS.

Sec. 94 declares, "that all cigars manufactured after the passage of this act, shall be stamped, etc., etc. And that any cigars which shall be sold, or pass out of the *manufacturer's* hands, except into a bonded warehouse, without such stamps shall be forfeited, and may be seized wherever found." The manufacturer, again, it will be observed. The cigars must not leave the hands of the manufacturer without being stamped. The manufacturer must be to the trouble and expense of stamping now and for evermore, and he must wait for the convenience of the inspector to have it done. If he have a note to pay to-day at two o'clock, with not an available dollar in the world, but having a lot of unstamped cigars, which if sold would relieve him of his difficulty, and a customer should come in at one o'clock, and offer to take them all, he cannot, dare not sell them. And yet they are unstamped through no fault of his own, but simply because the inspector who was notified two weeks previously, has been so occupied elsewhere, that he could not attend to it.

This is an extreme case; but extreme cases sometimes happen, and the law makes no distinction between extreme and ordinary cases.

I.

All of his cigars must be packed in bundles, packages, or boxes, and the stamps thereupon must not be broken. But the dealer can buy bundles or packages of cigars, be they composed of 100 or 100,000, re-pack them, and send them broadcast over the land without liability to forfeiture, without reassessment from now till doomsday, so far as section 94,

or any other section, specifies to the contrary. He may do more; he may be an actual though not an avowed manufacturer, as many are, having his work done by journeymen at their homes, pay the taxes there—those of them who do pay taxes—assume to buy them of the journeymen, then bring them to his store, and be thenceforward free of all responsibility. We have said stamping was a failure; it is so considered in the Internal Revenue Department. What is to hinder inspectors from selling them to anybody that wishes to buy? What is there to prevent them from putting on an \$8 stamp where they ought to put on a \$25 one, if a person feels disposed to pay them for doing so?

II.

In his circular of August 20th, Commissioner Lewis says, after declaring the object of stamping: "Nor is there anything in the law requiring a second inspection of cigars in the hands of a purchaser when they have once been inspected and assessed in the hands of a manufacturer." Mark where this disorder tends. When the law went into operation, there were many millions of cigars in first and second hands, not one of which had to be stamped; how long would it be before that stock would be consumed? It might be six months, or it might be six years. What is there to prevent people from swearing all the cigars they may make for the next five years were made before the 1st of July, 1864. It would not take a great while, under this process, to rid the market entirely of stamped cigars. But there is another process at work which will accomplish it more speedily. Finding themselves so circumscribed by the limitations referred to, and others which the want of space compels us to omit, manufacturers were forced, for the sake of self-preservation, to cease manufacturing altogether. Of the vast number engaged in this pursuit three months ago, one-fourth, perhaps, cannot thus be found to-day. They have become dealers, absolute, *bona fide* dealers; not an evasion but an actual relinquishment of their proprietorships in manufacturing, and as dealers are not required to re-stamp their cigars after receiving them from the hands of the makers in bundles and parcels.

A few weeks more, therefore, and stamped cigars will be a thing of history. Apprehending this condition of things, and desiring to remedy it, the Cigar Manufacturers' Association of the City of New York sent a Committee to Washington, to confer with Commissioner Lewis upon the subject, and as a result of their efforts, directions will probably be issued in a few days by him, authorizing the stamping of all cigars of a domestic kind wherever found, and whenever made.

But as the law does not demand this to be done, it is not clear how the order can be enforced, nor is it likely it will.

III.

As stamps release cigars from tax after they have left the hands of the manufacturer, he may stamp and sell a million, and owe the Government the tax ever after.

IV.

Another objection to stamps is, that as they indicate nearly the original value, every purchaser is possessed of one of the prime secrets of the trade, and there is no margin for profit left to the jobber.

STATISTICS.

According to the *New American Cyclopædia*, vol. XV., there were raised in 1860, in the United States, 428,121,000 lbs of tobacco, apportioned as follows:

New Hampshire, .	21,000 lbs.	Mississippi, .	128,000 lbs.
Vermont, .	12,000 "	Louisiana, .	41,000 "
Massachusetts, .	3,233,000 "	Texas, .	98,000 "
Rhode Island, .	1,000 "	Arkansas, .	1,000,000 "
Connecticut, .	6,000,000 "	Tennessee, .	38,911,000 "
New York, .	5,764,000 "	Kentucky, .	108,102,000 "
New Jersey, .	149,000 "	Ohio, .	29,529,000 "
Pennsylvania, .	3,182,000 "	Michigan, .	121,000 "
Delaware; .	10,000 "	Indiana, .	4,658,000 "
Maryland, .	38,411,000 "	Illinois, .	714,000 "
Virginia, .	123,968,000 "	Wisconsin, .	38,000 "
North Carolina, .	82,853,000 "	Iowa, .	313,000 "
South Carolina, .	104,000 "	Missouri, .	26,435,000 "
Georgia, .	919,000 "	Kansas, .	17,000 "
Florida, .	758,000 "	California, .	3,000 "
Alabama, .	221,000 "		
Total, .			428,121,000 lbs.

And according to the Report of the Agricultural Department at Washington, the number raised was 429,390,771 lbs. As the latter is probably the most reliable statement, we will take that as a basis for our first estimate. To determine the proper rate of assessment for tobacco in the leaf is a question of some nicety, as opinions are somewhat diverse upon this point; but as it is not a question of what men think is right, but what the Government must have, that is to be considered, we must first see what the Government now demands of us, and what we are paying. Of the five grades of cigar contained in the schedule, there are only four that are of any great importance any way; and those four are those ranging under the \$3, the \$8, the \$15, and the \$25 tax. The ma-

majority of the cigars made during this year will, without doubt, be returned at \$8 and under \$8 tax. But as there will be a considerable number returned at the \$15, and some under the \$25, we may make \$15 tax per thousand the average. As a general thing, it requires about 25 lbs. of tobacco to make a thousand cigars. The Government then demands, and in the ordinary course of things, cigar manufacturers will pay to the Government at the rate of 60 cents per pound for every pound of tobacco contained in each thousand cigars they may make hereafter. On smoking tobacco the tax is 25 cents; on snuff, 35 cents; and on fine cut-chewing and plug tobacco, 35 cents per pound.

Smoking tobacco, mixed as it usually is with more or less stem, does not decrease much in the manufacture—100 lbs. of leaf yielding 100 lbs. of manufactured. But there is considerable disparity in the case of the others, 100 lbs. of leaf yielding only about 85 lbs of snuff, 68 lbs. of fine cut, and 80 lbs. of plug tobacco. The snuff manufacturer, therefore, excluding fractions, pays at the rate of 29 cents per pound on the raw material; the plug manufacturer 29 cents; and the manufacturer of fine cut 24 cents.

From this it would appear that almost any reduction would be agreeable to cigar manufacturers, while, to the tobaccoists, a reduction of this amount could not be otherwise than satisfactory. Twenty-five cents per pound all round, therefore, would seem to be a fair rate of assessment for tobacco in the leaf. Thirty would not be objected to if they were protected in other respects by cigar manufacturers. For if there be no evasions; if every one engaged in the manufacture of cigars is compelled to pay alike, it matters little to them in the aggregate how much tax they have to pay, so long, of course, as it is not so high as to diminish consumption. But there is no necessity of exacting this amount, as the former will yield all the revenue the Government needs. At 25 cents per pound, then, 429,390,771 pounds, with no drawback for exported, would yield the enormous sum of \$107,347,692. The rebellion having depressed the growth of tobacco in several of the principal tobacco growing States included in the above, of course this estimate has no significance further than to indicate what might be expected from this source in time of peace.

The war, however, cannot last always, and five years hence, probably, there will be as much tobacco raised in the country as there was in 1860, and even more; for Connecticut, New York, Ohio, and other Northern and Middle States are increasing their production annually. Besides this, allowance must be made for drawbacks on tobacco exported, unless the Government should change its policy in this respect in the future, and have no drawback whatever, as is suggested by Commissioner Lewis in his report for 1863.

The returns to the Agricultural Bureau for 1862 give 280,000,000 pounds as the entire growth of that year, and for the year 1863, 267,302,770 pounds.

EXPORTS.

There were exported during the latter year:

Hhds.—111,898, averaging 1200 lbs. each,	. 134,277,600
Cases— 7,685, “ 400 “ “	. 3,074,000
Bales— 26,586, “ 250 “ “	. 6,646,500

And of manufactured, 7,025,248 lbs., which is equivalent to 8,428,298 lbs. of leaf, allowing 100 lbs. of the latter to 80 lbs of the former: giving a total of 152,416,398 lbs.

This amount deducted from the amount raised in 1862, leaves 127,583,602 pounds of taxable tobacco at the very lowest, which can be depended upon annually hereafter. We say can be depended upon, for the foreign consumption will scarcely ever again exceed that of 1863, as our principal buyers abroad are now and will be hereafter importing largely from other countries.

DIMINUTION OF EXPORTS.

The gradual diminution of our exports is becoming very apparent, as may be seen by the subjoined tables:

They were in 1853, 159,853 hhds.	They were in 1859, 165,000 hhds.
1854, 136,107 “	1860, 175,000 “
1855, 150,213 “	1861, 167,585 “
1856, 124,826 “	1862, 105,919 “
1857, 115,000 “	1863, 111,898 “
1858, 160,000 “	

Nor can this decrease be ascribed to the cessation of exports of Virginia tobacco, for the average exportations from Virginia for the preceding eight years were scarcely 20,000 hhds. per annum. It is owing to the culture of large quantities of tobacco in countries which heretofore have been our largest customers. Twenty-five years ago all Germany had not more than a few hundred acres of land in tobacco leaf. At the present day, a small province—the Palatinate—furnishes from three to four hundred thousand quintals annually. In Hungary, where formerly only sufficient tobacco was permitted to be raised to supply the Government monopoly, according to official statement, 80,000 hhds. of 1200 pounds each are now produced, a considerable portion of which goes to France.

Austria, once a large customer, now takes very little from us. France, which formerly drew its supplies almost exclusively from this country,

now receives large quantities from Algeria and the Departments, with the cheaper supplies of the Palatinate, Holland and Hungary. Bremen, representing the consumption of Germany, Denmark, Norway, Sweden, Poland and Russia, takes considerably less than in former years. The sales of seed leaf for that market in 1858, were 3,240 cases, in 1859, 3,980, in 1860, 14,780, in 1861, 36,120, in 1862, 31,962, and in 1863, only 7,685, most of which were sent back here.

The export of 1863, therefore, may be considered a fair standard. At twenty-five cents per pound 127,583,602 pounds would yield a revenue of \$31,895,900 50.

MANUFACTURES.

The first ten months, commencing September 1st, 1862, of the fiscal year ending June 30th, 1863, brought a revenue of \$3,090,028 38, from manufactures of tobacco, derived in the following order:

Chewing tobacco,	14,961,156 lbs. @ 15 cts. per lb.,	\$2,244,173 89
Smoking “	6,695,978 “ 5 “	334,798 94
Snuff,	172,230 “ 20 “	34,466 66
Cigars @ \$1 50 tax per M,	34,806,673, . . .	52,210 01
Cigars 2 00 “	50,605,525, . . .	101,211 05
Cigars 2 50 “	75,398,072, . . .	188,495 18
Cigars 3 50 “	38,478,014, . . .	134,673 05

These sources for the fiscal year commencing June 30th, 1863, and ending June 30th, 1864, yielded a revenue of \$8,583,043 77, derived in the same order as the preceding, *viz*:

Chewing tobacco,	39,180,634 lbs. @ 15 cts.,	\$5,877,095 11
Smoking, with all the stems in,	22,926,588 “ 5	1,146,329 43
Smoking, exclusive of stems,	1,265,204 “ 5	63,260 20
Total of tobacco,		\$7,086,684 74
Snuff,	1,204,671 lbs. @ 20 cts.,	\$240,934 24
Cigars @ \$1 50 tax,	42,856,026,	64,284 04
Cigars 2 00 “	128,106,500,	256,213 00
Cigars 2 50 “	191,435,860,	478,589 68
Cigars 3 50 “	130,382,314,	456,338 10
Total of cigars,		\$1,255,424 79

The total number of pounds of tobacco manufactured was 63,372,426, which, including 1,204,671 pounds of snuff, is equal, according to the proportions before mentioned, to 79,323,538 pounds of leaf tobacco. The total number of cigars returned was 492,780,700, consuming in their manufacture 12,319,517 pounds of leaf, which added to the previous

amount makes a grand total of 91,542,055 pounds of leaf tobacco consumed during the year.

At twenty-five cents per pound this amount would have yielded \$22,885,513, against \$8,583,043 77, the amount actually received; a difference in favor of the Government of \$14,302,469 98. So much for the past, what is the prospect for the future?

FUTURE.

We will suppose that during the fiscal year ending June 30th, 1865, the production will be just as large as during the preceding year. There must be made, therefore, of chewing tobacco, 39,180,634 pounds, which at 35 cents per pound will yield \$13,713,221 91; of smoking tobacco, 24,191,792 pounds, which at 25 cents will yield \$6,047,948; of snuff, 1,204,671 pounds, which at 35 cents will yield \$421,634; of cigars, 492,780,700 which at \$15, the average chosen, will yield \$7,391,710 51, and all together \$27,574,514 41. As has been observed, 91,542,055 pounds of leaf tobacco are requisite for this amount of manufactured, and at twenty-five cents per pound this amount of leaf would yield \$22,885,513.

ARGUMENT.

This is but a single example, and yet it is as good as a thousand; it is the key to the entire system which we advocate. Here are results which should convince the most skeptical. Here are indications of the margins which heretofore have furnished, and which hereafter will provide material for evasions to any extent. Here is evidence that there were nearly forty millions of pounds of tobacco consumed last year, of which no account was rendered. Here is proof, that based upon what may be the acknowledged consumption of the present year, and after according everything that can be claimed for the present system, there can be a difference of only about four and a half millions of dollars in its favor; while if the calculation be based, as it should be, upon the quantity which will certainly be consumed, the balance will be in favor of our system by over a million of dollars. And if in addition to this the actual manufacture, instead of the assumed, be taken as the basis, and the difference between it and what would be the manufacture under our system be placed, as we have a right to place it, to the credit side of our account, the amount of revenue which would be received would exceed by several millions the amount which will be received from the present mode and rates. For nothing can be clearer to the common understanding than that not more than half, if half, the quantity returned as manufactured last year can be manufactured this

year, or any other year, under these rates. Apply this rate of tax, twenty-five cents per pound, to the crop legitimately and illegitimately consumed in last year's manufacture, and we have over thirty millions of dollars; apply it to any other year and it will always bear the same ratio to the present rates that it does in the example cited; so that at the worst the Government could lose only about four and a half millions by the change.

The crop of 1864 may reach, and possibly exceed, 300,000,000 of pounds, and its manufacture, and the manufacture of all other years, the growth of which shall exceed the growth of 1863, will afford corresponding balances in our favor. Just in proportion as the amount grown exceeds the amount of manufactures returned, will be the margin for evasion, be that amount 1,000,000 or 100,000,000, for every pound grown will be consumed.

These operations, growing and consuming, are continuous, and it is difficult to show by figures to those unacquainted with the routine, when the crop of any one year is merged into the manufactures of another, and accordingly it is impossible to prove that the crop of 1863 will be entirely consumed within the fiscal year ending the 30th of June, 1865; and yet it is apparent to the workers in tobacco that such will be the case, or nearly so. In these matters, as we have had but two years of taxation, and have only a limited record of the tobacco grown, we must depend upon averages; and these answer every purpose, since it is of little consequence to these estimates whether the growths, manufactures, or exports of any given year run into the same of any other year, so long as the averages are harmonized within the period of a limited number of years.

The workers in tobacco reason by analogy upon points of this kind. They know that the crop of 1862 was 280,000,000 of pounds, and that the reported home consumption for the year which ended June 30, 1864, was 91,542,055 pounds, and the foreign, 152,416,398 pounds, leaving a balance of 36,041,547 pounds, scarcely any of which, comparatively speaking, can be found to-day wholly unaccounted for. What became of it? What has become of that almost fabulous quantity, reaching nearly or quite, ten hundred millions of pounds grown between the spring of 1860 and the fall of 1862? Three hundred millions, or thereabout, went abroad, we may presume, but where is the rest of it? Where are the nearly forty millions of pounds of cigar leaf raised in Connecticut, Massachusetts, New York, Pennsylvania, and Ohio, in 1862, but little of which is on hand at the present time, while the acknowledged consumption was less than twelve and a half millions? The inference is, that the entire mass has entered into the reported and unreported manufactures of the country. The markets are infallible indicators of this every

second or third year. It is evident to every manufacturer who made honest returns last year, that he cannot return anything like as much this year; and it is equally evident that double the quantity produced last year of this class of goods is needed to meet the requirements of the country. Divide last year's production among the people, and it will give only a little over thirty cigars, and about four and a half pounds of tobacco to each man and boy in the loyal States.

Our business is not paralyzed to-day because of a surcharged market but because our goods are too dear, and because honesty has to compete with dishonesty. Why should the cigar manufacturer be taxed sixty cents a pound for tobacco which, if crushed up and used in a pipe, would be taxed only twenty-five cents? And why should both he and the others be taxed so exorbitantly, when twenty-five cents per pound uniformly applied, would afford as much revenue as is needed—even though no more paid taxes than did last year. And why should Connecticut seed cigars be made to cost \$75 or \$80 per thousand when they are intrinsically worth nothing of the kind, and cannot be sold for that as a general thing, when the Government would receive just as much, certainly, and a great deal more, probably, if they could be sold for \$30. The production of tobacco with the present stimulus, will naturally increase every year, and the demand for the manufactures thereof will keep pace with its increase. The country to-day requires twice sixty-three millions of pounds of manufactured tobacco, and twice four hundred and ninety-two millions of cigars annually, and it gets them, though taxes are paid on only half that quantity. The vast number of imported cigars consumed here along with the domestic, if considered, will convey some idea of our needs in this regard. In the future the higher grades of the former will not prevail here to any great extent, and their place must be supplied by the latter.

Release our business from its bonds; free us from these crushing restraints, and our commerce will expand beyond all calculation; leave us as we are and we are destroyed. To our mind the figures adduced seem conclusive, and we might rest our argument here with the full assurance that they would seem as significant to others as they do to ourselves. But illustrative as they may be of the truthfulness of the position which has been thus far sustained, it was for an entirely different purpose that they were called into requisition. The object sought for their substantiation is yet to be stated. Waiving all that has been said that may appear conjectural, ignoring everything that may seem to be inferential—standing out prominently, unequivocally, and undeniably, and worth all the other evidence which they have afforded, is the testimony they furnish of the integrity and the capacity of a portion of our trade. They may not have positively proved that one-half, one-fourth,

one-eighth, or any of our manufacturers are dishonest, but they have proved beyond the possibility of a doubt, that a number of us are honest, and that number is of such a magnitude as to have consumed the enormous quantity of ninety odd millions of pounds of leaf tobacco during the last year. This is a startling as well as an important fact; it is progress made. For the first time in our history we have an index of our usefulness and our strength. They show that our business is already one of vast importance. The record proves that we can no longer be regarded as a simple craft, an unseen, unfelt, unrecognized, functionless figment of the national frame a mere atom of the aggregated whole; but we are henceforth to be an acknowledged power in the land; a vital force; one of the main arteries of the national life! Let our energies be so directed that the nation's pulse shall be strengthened by our vigor. Now, it is as self-evident as anything can be, that those who paid taxes last year will pay this year, next year, and every year, if they are permitted to do so; and, therefore, if the tax were applied to the leaf, and under that system they could make only as much as they did last year, which they would be sure to do, since nothing less would half meet the wants of our people, the revenue which they would supply would be nearly twenty-three millions of dollars, and if they made more so much more would be added thereto. This is positive; the figures prove it; there can be no mistake about it. Nor can there be any mistake about their willingness, for the rate of tax is one of their own choosing, and in accordance with the desires of every branch of the trade for the present. When the Government is in a condition to do so it of course can, and it is expected it will, reduce this rate. Twenty-three millions is a large sum of money. We do not know how much the Government anticipates from this source, but if it be anything like this amount it will thus be unfailingly supplied by the honest men alone of the country. It is equally evident, as has been observed, that under the present regulations the quantity returned this year will be much less than it was last, and hence the revenue, assumed from the present rates, will be diminished to the extent of the diminished production. To determine at this time what the diminution will be is impossible; but judging by the returns thus far made, and the experience of business men, it will reach nearly one-half; at all events, instead of the revenue being upwards of twenty-seven millions, it will be far below twenty; and as it will be this year, so it will be hereafter, under similar circumstances.

Secured against the evil effects of evaders, those parasites, those leeches, who are sucking the life-blood from the vitals of the trade, and these men alone would within five years return a yearly revenue of thirty-five millions of dollars. They will not be less honest this year than they were last, if their choice be approved, and last year they had

the honesty to confess having used the enormous quantity of ninety odd millions of pounds of leaf. Is not such a body of men entitled to consideration? Were there no evasions, were there no grievances, could they not promise a larger revenue than can be obtained by taxing the manufactured article, would it not be well to make the burdens which necessarily attend taxation as acceptable as possible to an interest which will contribute so much to the national treasury? How much better, how much more necessary is it, then, to do so, when that interest is suffering beyond all precedent, when evasions are as common as compliance, when every day brings to our counters, not patrons to buy, but knaves to sell, when every channel of our trade is obstructed, when the bread is being taken from our mouths, when there is no hope of our safety, no chance of our perpetuity, but in some action of the kind.

In these estimates it will have been noticed that in our selection of data we have not chosen such as would present our arguments in the most favorable light. On the contrary, we have taken a year wherein there was the lowest production, allowed the largest export, and conceded full returns at the highest rate of assessment; and this has been done that truth and fairness might characterize our observations. It will also have been observed that we have embraced all the tobacco grown in the United States, and that some of the States enumerated furnish none of the known samples which enter into the manufactures of the country. This is as it should be, and to this point the Government's attention is solicited in this place. There is not a pound of tobacco raised in the United States, exports excepted, but enters into the consumption of the United States, and hence we claim it should be made productive. As it is neither thrown into the ocean nor made a bonfire of, where else does it go? The Government has no hesitation in making every species of manufacture, be they never so insignificant, not even excepting matches, productive, and why should tobacco be an exception? And, in this connection, it should not be forgotten that the practise of the trade differs essentially from that which prevailed a few years ago in regard to the newer kinds of tobacco.

It is not very long since cigar manufacturers considered Connecticut tobacco the only kind of domestic growth suitable for cigars, the producers of other States not having then learned the art of cultivating and curing the plant as well as those of the former. But now, while the Connecticut still retains the first rank in popular favor, the growths of Massachusetts, New York and Ohio are eagerly sought by the trade. And so of the various kinds which constitute the material of the tobaccoist proper. Formerly they used only the growths of Virginia, Tennessee and Kentucky for chewing and smoking tobaccos, while now

they find those of North Carolina, Missouri, Ohio, Indiana, and several other States well adapted to some of their purposes. So that it is reasonable to conclude that it will not be very long before the product of every State in the Union will enter into the regular manufactures of the country as it now does into the consumption. The manufacturer of tobacco is not more afflicted to-day by the knavish competitor who manufactures in regular form but pays no taxes, than by the producer or grower of tobacco.

Before there was any tax upon the manufactured article, the people of the rural districts sought and used it in preference to their own coarse productions; they gladly exchanged their butter, turnips, eggs, and other farm produce with the neighboring groceryman for his two, four, and eight ounce parcels of manufactured tobacco. But now all this is changed. They no longer resort to this species of barter, nor do they purchase for cash, nor use them in any way. Instead of this, they manufacture themselves, crudely, it is true, in some instances, but yet they are manufactures which answer every purpose; and, in other instances, they have so improved upon their original domestic machines that they produce very creditable specimens of home manufacture. There are machines in operation which can be carried in an overcoat pocket, which will turn out fine-cut-chewing, plug and smoking tobacco that will compare favorably with the ordinary brands of the manufactories. Those who are most skilful in these domestic manufactures do a flourishing business, their fame extending many miles in the country, and to them all who are less fortunate in their experiments come to have their little stock of leaf transmogrified into the Simon-pure, borrow their apparatus, or purchase, at cheap rates, the coveted article already prepared. Travel where one may through the country, there is hardly a farmer to be found who has not his plot of ground devoted to tobacco for home use, with cheese-boxes, cheese-presses and every other conceivable contrivance for its transmutation into available form. Formerly where one hundred orders were received from country factors by our city manufacturers for home supply, fifty now reach them. And this not because of an over supply or a diminished consumption, but because country consumers have turned country manufacturers. It is the same in regard to cigar manufacturers. There is scarcely a house in any country village that some member does not know how to make a thing which answers for a cigar. They learn it as they do apple paring at apple bees, without effort and without expense, and they have instituted systems of exchange which ramify every section of the land, and so ostracise every man from abroad who has a license and has paid taxes who happens to come among them to sell. It is this which makes the tobacco of Kansas or Mississippi as serviceable as that of Connecticut

or Virginia, and justifies us in demanding that every pound grown in the country be estimated, accounted for, and made amenable to taxation.

PIPES *VERSUS* CIGARS.

If ever there was a time when the cigar interest needed the protecting instead of the blighting hand of the Government, that time is now, while it is undergoing that probationary state which is to determine which is to be most in vogue hereafter, cigars or pipes.

Among the manifold revolutions which the war has wrought in our social life and habits, none are more remarkable, none more apparent than that in relation to our practice of smoking. Four years ago to see a man with a pipe in his mouth in the street was to see a blockhead. Now it is almost the rule. Pipes are seen at the hotels, at the exchange, on the promenade, anywhere and everywhere where men are to be seen. This custom was introduced by the soldiers, who acquired the habit in the camp, and the example once set, our people followed it as naturally as they did the Kossuth hat or the Garibaldi shirt; and as cigars became dearer the practice continued until it has become one of the established customs of the country.

Now, it matters not to the Government whether it receives the whole revenue from one of these interests alone or from all combined; but it makes a material difference to the interests respectively if one or other of them is to be driven out of existence. It is not the part of true statesmanship to build up one interest on the ruins of another. As returns are made, the cigar interest is smaller than the fine cut or the plug; but were all compelled to make returns who make cigars it would be found nearly as large as either.

PLUG TOBACCOS.

The exports of manufactured tobacco are of less magnitude than is generally supposed. In 1862 they were 4,071,963 lbs., and in 1863 7,025,248, of which many packages were of Canadian manufacture. The drawback, therefore, which would have to be allowed on this article if the raw material alone were taxed, if allowed even to the full extent of the proposed rate, would amount to less than two millions of dollars per annum.

EXEMPTION OF THE PRODUCER WAREHOUSING.

The producer need not be affected by this change. There are several ways by which he may be entirely exempted from any participation in the payment of the tax. A leading house in Baltimore has already

published a plan which seems so admirably adapted to the purpose that we copy it entire, and offer it as our own. The publication declares that these reflections, "Lead us to the conclusion, that if the Government is to secure a full revenue from the Tobacco consumed in the United States (that being the only portion of the staple that it is practicable to tax), a taxation of the leaf with one uniform rate per pound, the moment it goes into the hands of manufacturers or consumers would be the most likely to lead to the desired result and the most easy of control, while it would leave our export trade entirely unhampered, and free to compete as advantageously as ever in foreign markets. In order to collect the Tax in this manner, it would be necessary for the Government to have a control over the production and removals of all Tobacco grown in the United States. It should not be lawful for any farmer to plant Tobacco without taking out a permit to do so from the Collector of Internal Revenue of his District, in which would have to be specified the amount of land he intends to plant, should he afterwards wish to increase it he could take out an additional permit, if to decrease he could give notice of the fact, and heavy penalties should attach for neglect of taking out permits or any false representation with intent to defraud. These permits or licenses could be given without charge to all who ask for them, and on the whole, every thing avoided to vex the producers beyond the necessary measures of control. The collector by keeping a register of these permits, would have the names of all the producers in his District, and an approximate estimate of the quantity planted. In France and other countries having a monopoly, the Government prescribes even the distances the plants have to be set apart, thus obtaining by measurement the exact number of plants in a field; this can of course be varied as best adapted for the soil and product of each locality. By appointing inspectors to visit the plantations from time to time, constant control can be had until the crop is housed. No Tobacco should then be allowed to be removed from any farm except to the nearest U. S. Bonded Tobacco Warehouse. The public Tobacco Warehouses already in existence in different States and cities might be designated as Bonded Warehouses of the U. S., and U. S. Comptrollers in them appointed, and additional U. S. Bonded Tobacco Warehouses established in central places of Tobacco growing regions where public Warehouses do not yet exist. The packing, sampling, and weighing of Tobacco could then be done in these Warehouses the same as is now done in State or private Warehouses, and they might be made self-supporting by charging the now customary fees for these services. The sale of the Tobacco by samples and certificates might then be carried on the same as is now done, but none could be removed without either paying Tax thereon for inland consumption or in Bond to some other

U. S. Warehouse (for instance, from a western to an eastern city) or on shipboard for export. Drawbacks could of course be allowed for Tobacco on which Tax had been paid for home consumption, and which afterwards might be intended for export, if the identity is proven and necessary formalities observed, or on manufactured Tobacco or strips intended for export.

“Objections have been made to us against this plan, on the ground that it would be more difficult and expensive to control the much larger number of planters, scattered over extensive regions of country, than the manufacturers, that in many localities no public Warehouses exist, and that their erection would have to be too numerous and expensive. The system of permits if rigidly enforced (and in a matter of this kind, leniency and country fashioned good nature is always misplaced), would of itself be a very effective means of control as by it the collectors or their deputies in the Warehouses would know beforehand whence Tobacco would have to come and also the approximate quantity. By checking the crops off on their registers as they come in and noting down the quantity produced by each, they could, to some extent, control each man by his neighbors, and if a crop or part thereof failed to appear, it would not be difficult to ferret it out. The visiting inspectors, appointed from and familiar with the localities of their Districts would complete the control, and it would not require a large number of them for any county. The proper collection of the Tax under the present system would probably require no less officers, as every manufactory, however small, would have to be watched by a special inspector, and a relief, day and night, and there are numbers of them in every large city besides those scattered in smaller towns and over the country. Nor would the temptation to defraud be so great with the planters as the Tax would not have to be paid by them but by the purchasers when the Tobacco is withdrawn for consumption. The establishment of additional Warehouses would also be less expensive than it may be thought, nor need they be so numerous. In most neighborhoods there are already either public or private establishments of the kind, located in the central towns, and where there are none, it would not be necessary to erect costly and ornamental buildings. Most of the Tobacco Warehouses in Virginia for instance, are mere sheds very cheaply erected, but in almost any county town a large storehouse or warehouse could no doubt be secured by rent.

“But granted even that there would be considerable expense. If a large and full revenue is obtained, it can be afforded and would probably be no larger percentage on the amount collected, than is the cost of collecting the import duties of the United States on the revenue obtained therefrom. Or granted that the cost of collection on the

manufactured article would be less. What would be gained if the revenue would be still more so?"

To a plan at once simple, economical, and effectual like this, little need be added further than to say, its adoption will in no way interfere with the freedom of the producer in his dealings with the purchaser.

Most farmers would prefer to receive customers at the farm-house where they could, while making their sales, extend the hospitalities for which they are proverbial. This, they can continue to do; all that is required of them is, that their tobacco shall not leave the farm or plantation for consumption without first passing through a bonded warehouse. The only extra duty imposed is the trifling one of obtaining permits and making returns. And in view of the privileges accorded to them in the way of exports, etc., this does not seem to be much of a hardship. Every manufacturer has now to do this, and has besides to pay liberally for the opportunity in the form of license and other fees.

There is another plan still more simple, more economical, and fully as practicable, but it does not afford that assurance of certainty and effectiveness which is apparent in the other, and therefore it is not recommended for acceptance; we mention it merely in passing. It is to constitute the producer's premises a bonded warehouse, subject to limitations and regulations such as are prescribed for the government of the former, as is now done in the case of several manufactories. Making the producer responsible to the assessor of the district in which the tobacco is raised when withdrawn for consumption for the payment of the tax, and empowering the assessor to issue the necessary transportation bonds and certificates when removed to another bonded warehouse, or for export. The producer in this case when disposing of his crop, or any part of it to a manufacturer, has only to add to his price the rate of tax per pound, and, when received, hand it over to the assessor, or the purchaser may be made to do so before being permitted to remove it. The objection to this plan is that it leaves room for collusion between the producer and the assessor.

The plan first suggested alone affords the requisite security against fraud. Under those provisions it would be an utter impossibility for a pound of tobacco to be manufactured in the United States without first paying the tax. And thus would the Government obtain every penny that belonged to it, and thus would the honest manufacturers of the country, of every kind and degree, be released from the thralldom, be raised from the degradation in which they are placed. The people of the country would no longer infringe upon the prerogatives of the regular manufacturer; the knaves of the city could no longer offer fine-cut, plug, or snuff at our counters, at lower rates per pound than the tax alone upon each. And the "hoop-skirt and glazed-cap cigar manufac-

turers," as one of our most upright and most enterprising fellow-tradersmen aptly calls the horde of irresponsible vagabonds, who spring up like mushrooms in a night, flourish for a day and are gone, to be succeeded by others of the same ilk, and who scatter their illicit wares in every nook and cranny of our abodes, will depart for ever, and the business will be restored to the hands of responsible and reliable men. The leaf-dealer, as well as the producer, it will be seen, will be exempted by this process. A safeguard against fraud on the part of the producer, stronger even than the padlock of the warehouse, or the inquisitorial eye of the inspector, will be found in the voluntary supervision of the non-producer. Tobacco is a specialty, and is so considered by everybody throughout the land, and the jealousy with which its growth is watched by those who do not raise it, is remarkable. Unlike the cereals, which are common and excite no comment, the planter who has packed and weighed his crop, scarcely knows better how many pounds he is possessed of than do his neighbors living from one to twenty miles away. They ride by it; they look at it in the field; they talk about it; they know just about how much it will turn out to the acre, and they compare the receipts accruing from it with their own receipts from the same number of acres of corn, and, as the result is usually in favor of the tobacco crop, it would be more or less than human nature that would prompt them to aid men more fortunate than themselves, to add still further to their profits, by remaining reticent while they were cheating before their very eyes.

I.

That no disturbance of the revenue might occur during the year succeeding this change in the mode of taxation, it would be necessary to tax leaf on hand at the time of the inauguration of the act, excepting such only as should be intended for export, or removed to a bonded warehouse. But the payment of the tax should not be demanded until withdrawn for manufacture, as in the case of tobacco raised subsequently.

II.

From manufactured tobacco in manufacturers' hands, and upon which the tax has not been paid, the present rates, perhaps, might with propriety be collected; and from cigars, the present rates, or what would be better, because it would harmonize all the operations, and the reduction of tax would be compensated for by the fullness of the returns, they might be taxed by the pound at the rate of thirty-five cents per pound, upon the basis of our former estimate, that is twenty-five pounds to the thousand.

An inventory of stock on hand such as was exacted on the first of July,

will enable the Government to arrive at reliable data. To prevent the depreciation of the cheaper grades of cigar-leaf while these adjustments are being made, as well as to increase the revenue, the duty on imported tobacco might be raised even to the extent of seventy-five cents per pound.

CONCLUSION

Gentlemen, legislators of the Thirty-eighth Congress—in no spirit of selfishness, nor groundless discontent, nor from any desire to shift from ourselves the responsibilities which by right should attach to us, but from a deep conviction of its necessity, we ask of you the immediate application of the tax to the leaf. Our mills are idle, our manufactories are closed, our workshops are shut, our business is suspended, our trade is paralyzed; we cannot proceed, a general gloom pervades our path, stagnation is written everywhere, loss, anxiety, perplexity, doubt, are with us now, ruin in the future impends, this change will give us relief. Sooner or later you must adopt this system. You may continue the present five, ten or fifteen years longer, if it were possible for us to sustain ourselves for that length of time, but at last you must come to this; there is no escape from it; it is as inevitable as that the rain will fall or the sun shine; then why delay until it is no longer possible for the people to pay or the Government to collect?

In this brief survey we have only been able to present a few of the evils to which we are exposed. For each one cited ten might have been adduced, and each might have been elaborated far beyond its present scope. The condition of the cigar-manufacturer living many miles from the office of the inspector, wanting his cigars stamped so he can sell them, and having to walk, or, if he can afford it, ride, the whole distance to notify that official, and arriving there, finding him absent, returning then another day to find him again away, or if at home unwilling to go so far because he would have to hire a conveyance, for which outlay the work to be done would not reimburse him; and of that numerous class of dealers, who have been in the habit of dealing in a superior kind of domestic cigars, made of the best of Havana tobacco, and equal in every respect to the imported, and sold as such, who have been compelled to relinquish business, or partially so, in consequence of the stamps indicating their origin, offer objections to the expediency of stamping, as noteworthy as any that have been mentioned. And to these may be added still another. The order alluded to on a preceding page relating to the stamping of all domestic cigars by a certain date, has been published, and this order, contrary to its spirit or intent, is made in some instances the means of harassing manufacturers to an extent unparal-

leled. They being obliged to prove, under penalty of forfeiture in case of failure, that the tax has been paid upon cigars which they may have bought, no matter when, or from whom they bought them. This would not be so grievous if it were possible, even with considerable exertion, to determine the fact satisfactorily; but in many cases this cannot be done, because the goods were purchased before such a demand was either exercised or contemplated, and purchasers paid no attention to the matter, frequently not knowing even the names of the venders.

Another circumstance pregnant with danger to this interest is its liability to be adversely affected at any moment by a competition with the lower grades of imported cigars. Let gold drop to 150, and a desirable quantity of Havana cigars can be had in our markets, ten dollars, per thousand cheaper than the corresponding grade of domestic manufacture; and if this be the case with gold at that premium, it is easy to anticipate the effect with gold at par.

One source of the evils environing this trade, and which has not been touched upon, is the schedule of grades established by the law. If the tax upon manufactures is to be persisted in, there ought to be in law as there is in fact only two grades of cigars recognized here, namely, those made wholly of domestic tobacco, and those made wholly or partly of foreign. By such an arrangement it would be impossible for any one who made returns at all, to escape paying the full amount of tax assessed. People could not then as they can now return cigars made of Pennsylvania tobacco under the \$8 tax, while their next-door neighbors who are making the same style of cigars, but of Connecticut or Massachusetts tobacco, are obliged to return under the \$15 or \$25 tax. Nor would the manufacturer of foreign tobacco be made the martyr of excessive taxation that he now is, having to pay two taxes to the other's one, one on the tobacco and another on the manufacture, as there would not be that wide difference between the present minimum 8 and the maximum 40 plus eight or ten more for duty. Paying as he does a considerable tax on the material he uses it seems something like extortion to exact from his manufactures the high rates demanded.

Legislation of this character has a tendency to drive our manufactures into the hands of foreigners.

Nor, to return, have we said a twentieth part of what might have been said in support of the change which we recommend, and if in consequence of this dereliction it shall seem to you that we have failed to establish either a just cause for complaint, or a sufficient reason for the adoption of the plan which we propose for our relief, be assured it was from no want of material for the former, and from no lack of recommendations in the latter that our disappointment is to be traced; and further, if, where we have dwelt at some length upon some of the more obnoxious

features of the law, it shall appear that we have imperfectly sketched, or inaccurately stated its spirit, or any of the principles involved, or laid too much stress upon those grievances which are apparent to all, believe us, there has been no intention to misrepresent, no desire to exaggerate, and no effort made to make anything appear different from what it really was.

We have honestly endeavoured to present to you in the briefest possible manner, in these outlines of our views, only a faithful, truthful reflex of the actual condition of affairs.

To our main argument, your wisdom will unquestionably suggest many well-founded objections, yet we trust, when to the undeniable advantages which pertain to our system, such others are added as will naturally occur to you in your consideration of the subject, its superiority over the present will be so apparent, as to leave no doubt in your minds as to the propriety and expediency of its adoption. We do not in our zeal overlook the repugnance which as prudent statesmen you will naturally feel to change a tried system for one which is to some extent problematical, though the light afforded by the experience of foreign countries may serve as a guide in enabling you to form a tolerably correct and definite conclusion; nor do we forget that taxation in any form is a novelty and an innovation here. Two years ago the present system was as much of an experiment as the one we now present for your consideration. At the worst our statistics have demonstrated that the Government cannot be a loser by the change, while on the other hand, there are many, very many reasons for believing it will be largely a gainer. Men instinctively divine the right, and in this instance both instinct and judgment combine to assure us our conclusions are not erroneous; we are all practical men, many of us having devoted a lifetime to these pursuits, and it cannot be possible that we are mistaken in our conception of what is best for the general weal.

The system of espionage which the Government has been obliged to institute is disagreeable in the extreme; it is harassing and annoying to us, and expensive to the Government; it can be dispensed with by pursuing the course we recommend. Desiring to act honestly we wish to be treated as becomes honest men, not as if our vocations made malefactors of all of us. We desire to do business in the future as we have been accustomed to do it in the past, without interference, without annoyance, without suspicion.

Ever with sentiments of the highest respect, we remain very truly, very respectfully yours,

THE TOBACCONISTS AND CIGAR MANUFACTURERS

OF THE UNITED STATES.